

## **PacifiCare Secure Horizons HMO**

ADOA experienced a PacifiCare rate increase of 74.2% for the 2007 plan year. This increase is primarily driven by two factors:

- Higher than expected prescription drug expenses, along with lower than expected reimbursement from Medicare for prescription drug benefits under Medicare Part D. Since the program implementation with PacifiCare in October 2004, rates did not increase; however, last year, PacifiCare held off rate increases primarily due to the availability of Medicare reimbursements under Part D. The expected reimbursements were not realized.
- Medicare will also pay PacifiCare less for Medicare Parts A&B in 2007 than in 2006. As a result, the increases in health care costs are passed along through higher premiums. **This is the first time in the history of Medicare Advantage plans that Medicare has decreased reimbursements to health plans.**

Due to the dramatic increase in the current Secure Horizons HMO, ADOA is offering a second option to the program that will allow retirees a plan at the 2006 rate. Retirees will have the option of continuing enrollment in the exact program they have today (Secure Horizons HMO High Option) at the increased rate or they may choose the lower monthly cost by selecting a program that includes more cost-sharing alternatives (Secure Horizons HMO Low Option) at the 2006 rate.